

Charter Hall Retail Management Limited

ABN 46 069 709 468

AFS Licence No. 246996

as responsible entity of

Charter Hall Retail REIT

# **ASX/MEDIA ANNOUNCEMENT**

## CHARTER HALL RETAIL REIT DELIVERS SOLID EARNINGS

Friday, 15 February 2013

Charter Hall Retail REIT (ASX:CQR) (the 'REIT') today announced its results for the half year to 31 December 2012.

### Key financial results:

- Statutory profit of \$15.8 million, 5.08cpu
- Operating earnings<sup>1</sup> of \$45.9 million, 14.76cpu
- ♦ Distribution of \$44.4 million, 13.30cpu
- ♦ REIT balance sheet gearing of 38.7%
- Australian balance sheet gearing of 30.6%
- Portfolio value of \$2,059 million
- NTA at \$1,106 million or \$3.31 per unit
- Cash and undrawn debt capacity of \$154 million<sup>2</sup>

# Australian portfolio operating performance:

- Same property NOI growth of 3.0%
- Occupancy of 98.5%
- Specialty rental rate growth of 3.7% from 165 leasing transactions
- WALE of supermarkets and discount department stores of 10.8 years

"We have had a very active start to financial year 2013 (FY13), acquiring \$101 million of Australian shopping centres, with construction underway on \$97 million of redevelopment projects across our \$133 million pipeline and finalising 165 leasing transactions to maintain Australian portfolio occupancy of 98.5%. As a result we are very pleased to deliver a solid first half result for our unitholders," said Scott Dundas, the REIT's Fund Manager.

#### Successful \$119 million equity raising drives further growth for the REIT

During the period, the REIT successfully raised \$119 million through an institutional placement and unit purchase plan at a price of \$3.45 per unit. Significantly for the sector, the transaction represented the

<sup>&</sup>lt;sup>1</sup> Operating earnings is a financial measure which represents the net profit / (loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items

<sup>&</sup>lt;sup>2</sup> Excludes restricted cash and includes \$13 million raised from the DRP on 15 February 2013



first S&P ASX A-REIT 200 stock to raise growth equity above the value of its net tangible assets (NTA) for several years.

The proceeds from this raising were used by the REIT to continue its stated strategy, including growing the Australian portfolio with the acquisition of three high quality sub-regional properties and further enhancing its existing portfolio with the commencement of three Board approved redevelopments.

The \$101 million acquisition of Tamworth, Dubbo and the remaining 50% interest in Lake Macquarie and Mount Hutton shopping centres reflected an average initial yield of 9.6% with the REIT's Australian portfolio now representing 92% of the REIT's total NTA. All three properties are anchored by a high turnover Coles or Woolworths supermarket.

## Strong portfolio performance

The REIT's Australian portfolio has performed strongly, delivering occupancy of 98.5%, same property net operating income (NOI) growth of 3.0% for the 12 months ended 31 December 2012 and specialty rental rate growth of 3.7% following 113 new lease and 52 renewal transactions.

Woolworths and Wesfarmers continue to represent 53% of Australian annual base rent, with the REIT's predominately non-discretionary specialty tenant mix complementing these supermarket anchors.

The occupancy of the REIT's Polish portfolio remained stable at 96.5% with same property NOI declining by 2.6%, reflecting the challenging leasing conditions in this market. As previously announced, the Polish assets are being marketed for sale, with a potential purchaser currently in due diligence for these assets.

Works have commenced on redevelopment of the REIT's Chemnitz property in Germany and, following the completion of these works in 2014, the REIT intends to market this property and the Jena asset for sale.

# **Enhancing the Australian portfolio**

The REIT has construction underway on \$97 million of redevelopment projects, with several major projects due to complete in 2013. The proceeds from the institutional placement enabled the commencement of three Board approved redevelopments, including the \$31 million redevelopment of Lansell Square in Bendigo, Victoria and the \$15 million refurbishment and expansion of the South Hedland Shopping Centre in Western Australia. Development consents have been obtained for both properties, with redevelopment anticipated to commence during 2013.



## Strong balance sheet position

The REIT starts 2013 with a strong balance sheet and liquidity position. Balance sheet gearing reduced by 1.7% and liquidity increased by \$56 million over the six month period, following the equity raising in October 2012. The multi-currency debt facility limit was increased by \$50 million and weighted average interest cost reduced from 6.3% in FY12 to 5.8% in the six months to December, following capital management initiatives and lower floating rates.

The REIT reinstated the Distribution Reinvestment Plan for the December 2012 distribution, with the proceeds to be available for future redevelopment works within the REIT's Australian portfolio.

### Strategy and outlook

Management remains focused on maintaining and enhancing the REIT's Australian portfolio through a continued focus on:

- Non-discretionary retail spending
- Enhancing property returns through leveraging Charter Hall's vertically integrated management platform
- Acquiring high quality Australian retail properties valued at between \$20-\$100 million and enhancing the existing portfolio through redevelopments
- Completing the re-weighting to Australia.

Mr Dundas said: "The non-discretionary sector of the retail market continues to perform in line with our expectations and, with the current Australian cash rate at an historic low, this reinforces the appeal of the distribution yield offered by the REIT of 6.9%<sup>3</sup>."

Barring unforeseen events, forecast FY13 operating earnings are expected to be in the range of 29.5 to 30.0 cents per unit, with distributions expected to reflect a payout ratio of between 85% and 95% of operating earnings.

## For further information please contact:

**Scott Dundas** 

**Fund Manager** 

Charter Hall Retail REIT

T: +61 2 8295 1009

scott.dundas@charterhall.com.au

Philip Schretzmeyer

General Manager Finance
Charter Hall Retail REIT

T: +61 2 8295 1023

philip.schretzmeyer@charterhall.com.au

<sup>&</sup>lt;sup>3</sup> Based on the midpoint of FY13 operating earnings guidance and distribution payout range and a closing unit price of \$3.86 on 14 February 2013



Investor enquiries:

Nick Kelly

Head of Investor Relations

Tel: +61 2 8908 4028

nick.kelly@charterhall,com.au

Media enquiries:

**Rachel Mornington-West** 

Head of Marketing and Communications

Tel: +61 2 8908 4093

rachel.mornington-west@charterhall.com.au

#### **About Charter Hall Retail REIT**

Charter Hall Retail REIT is a leading listed real estate investment trust with a portfolio of predominantly Australian high quality supermarket anchored neighbourhood and sub-regional shopping centres, with a smaller portfolio of quality shopping centres in Poland and Germany in Europe.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC), one of Australia's leading fully integrated property groups, with over 21 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has circa \$9.6 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth. The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group. For further information on Charter Hall Group and Charter Hall Retail REIT go to www.charterhall.com.au.